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Message Text

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TO AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EFIN, IMF, IBRD, CS

SUBJECT: CHINESE REPRESENTATION IN IMF

REF: SAN JOSE 5841

1. THE STATED US POSITION HAS BEEN AND REMAINS THAT WHILE WE WOULD WELCOME PRC PARTICIPATION IN THE IMF, THIS SHOULD NOT BE AT THE EXPENSE OF THE ROC. AS A MINIMUM, THE US WISHES TO AVOID EXPULSION OF THE ROC PARTICULARLY IN THE ABSENCE OF PRC ASSUMPTION OF RIGHTS AND OBLIGATIONS OF MEMBERSHIP. FYI: WE RECOGNIZE THAT IF THE PRC WANTS MEMBERSHIP THERE WILL BE LITTLE CHANCE OF PRESERVING ROC MEMBERSHIP. END FYI. HOWEVER TO DATE THE PRC SEEMS INTENT ONLY ON EXPELLING THE ROC AND
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ITS SEPTEMBER 30 COMMUNICATION TO THE IMF CANNOT BE INTERPRETED AS A SERIOUS INDICATION OF INTEREST IN PARTICIPATION.

2. THIS MATTER CAME BEFORE THE IMF EXECUTIVE DIRECTORS (ED) ON DECEMBER 3 AT THE INITIATIVE OF THE NORDIC GROUP.

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THOSE ED ARGUING IN FAVOR OF EXPELLING THE ROC MADE ESSENTIALLY THREE POINTS: (A) THAT THE PRC CANNOT BE EXPECTED TO SHOW A FAVORABLE ATTITUDE TOWARD THE IMF AS LONG AS THE ROC IS OCCUPYING THE SEAT OF CHINA; (B) THAT THE UN RESOLUTION OF 1971 CLEARLY STIPULATES THAT THE PRC IS THE SOLE REPRESENTATIVE OF CHINA; AND (C) THAT THIS IS ESSENTIALLY A POLITICAL DECISION WHICH TAKES PRECEDENCE OVER LEGAL AND ECONOMIC ISSUES.

3. OUR VIEW ON THE ABOVE POINTS IS AS FOLLOWS.
(A) ROC PRESENCE IN AN INTERNATIONAL ORGANIZATION HAS NOT INHIBITED THE PRC FROM SEEKING REPRESENTATION IN THAT ORGANIZATION IF IT IS INTERESTED IN DOING SO, AS WAS CLEARLY THE CASE IN THE UN ITSELF IN 1971. (B) THE GENERAL COUNSEL OF THE IMF HAS TOLD ED AT DECEMBER 3 MEETING THAT WHILE IMF IS SPECIALIZED AGENCY OF UN, IT IS NOT BOUND BY UN RESOLUTION. THE HISTORY OF THE TWO ORGANIZATIONS SHOW CONSIDERABLE DIFFERENCES IN MEMBERSHIP. FURTHERMORE, ALTHOUGH INTERNATIONAL LAW DOES SAY THAT SUCCESSOR GOVERNMENTS MUST ACCEPT PREDECESSORS' OBLIGATIONS, SOME, INCLUDING PRC, DO NOT ACCEPT THIS. PRC POSITION IS AS EXPRESSED IN LETTER TO UN THAT IT MAY OR MAY NOT ACCEPT OBLIGATIONS DEPENDING ON CIRCUMSTANCES. (C) WE DO NOT VIEW THIS ISSUE AS ESSENTIALLY A POLITICAL CHOICE BETWEEN PRC AND ROC. WE WOULD WELCOME PRC PARTICIPATION IN IMF AND WE WOULD HAVE NO OBJECTION TO A REDRAFT OF IMF RESPONSE TO PEOPLE'S BANK OF CHINA WHICH WOULD BE MORE FORTHCOMING AND EXPRESS GREATER INTEREST ON THE PART OF IMF FOR PRC PARTICIPATION. BUT WE BELIEVE THAT ROC EXPULSION WITHOUT ASSURED PRC
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PARTICIPATION AND ASSUMPTION OF OBLIGATIONS WOULD RESULT IN A NUMBER OF AWKWARD AND UNDESIRABLE LEGAL AND FINANCIAL PROBLEMS BOTH IN THE IMF AND PARTICULARLY IN THE IBRD WHERE THE ROC HAS OVER 200 MILLION DOLLAR OUTSTANDING LIABILITIES. THE IMF WOULD BADLY SERVE ITSELF BY ADMITTING THE PRC WITHOUT THE PRC HAVING UNDERTAKEN ANY REPEAT ANY OF THE OBLIGATIONS OF MEMBERSHIP, LEAVING ASIDE WHETHER OR NOT PRC WOULD ASSUME OBLIGATION FOR OUTSTANDING ROC LIABILITIES.

4. MATTER IS TO BE DISCUSSED AGAIN IN IMF ED MEETING ON JANUARY 5. WOULD APPRECIATE IF EMBASSY WOULD EXPLAIN US VIEWS ON MATTER AND SEEK COSTA RICAN SUPPORT FOR US POSITION.

ROBINSON

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